Education as a quasi public good economics essay

Economics

Saunders (2009) argues, privatization and commercialization of formerly publicly funded institutions extended to higher education, and as a consequence, these institutions became increasingly reliant on private funds especially in the case of the United States. There was now a larger emphasis on generating revenues, economic efficiency became high priorities for universities and colleges (Alexander, 2001; Aronowitz, 2000; Levin, 2006). To some extent college education was more and more seen as a private good to be bought by a student, who was redefined as a purchaser (Chaffee, 1998; Swagler, 1978; Wellen, 2005). The result for this was that individuals and institutions started to use neoliberal policies and as an economic rationality to make educational decisions, as well as attempts to treat and oversee the university just like any traditional business, its faculty as conventional workers, and its students as customers (Saunders, 2009). With the liberalization of Zambian's economy in 1991, in the third republic, market forces were introduced in different sectors of the economy including education. Private players including institutions were encouraged to supplement government effort in the provision (MOE, 1992; 1996). Private universities in Zambia started growing with minimum state intervention and operating mostly on the market model. Barr a proponent of neoliberal principle to higher education finance first analyzes and make the case about what is he sees wrong with the US system (Barr, 2008). He thinks in principle, it is the right model but on the bottom line, he questions whether it is a system at all. Fees unregulated and also not withstanding elements of monopoly power (Barr, 2008). He argues that the loans in the US are primarily based on the model of conversional loan, only embryonic income-contingent loans, with interest subsidies and have unfavorable incentive for collection of repayment (Barr, 2008). Barr also sees the complexity and fragmentation of the US student support and also pro-access dealings targeted mainly on those above 18 years and above. In the case of Europe, in contrast to the United States, market forces have had a fairly limited influence on the development of higher education (UNESCO, 1998). Indeed, higher education in most of Europe was seen as a constituent of state-led social policies and largely built on state funding. Europeans tried to maintain higher education in the hands of the privileged, which was not the case in America (Trow, 1989). Market ideology is spreading and is the cause for many changes in higher education (Neave, 1997). Rivalry between universities and institutions nationally and internationally, exemplified by both increased indifference to consumer demands from students, governments, industry, research contractors etc. and increased competition for funding are the results of this ideology (UNESCO, 1998). There is also an effort being made in Zambia where public institutions are slowly introducing market forces to remain viable. Most public institutions have introduced parallel sessions where students pay on relatively market rates. Good quality policies especially in financing higher education needs to be well-suited and in commensurate with economic theory (Barr, 2008). He presents three central propositions that underpin reform in advanced countries and even developing countries. These include: competition is advantageous, former students should contribute to the cost of their degree and lastly Well-designed student loans have core characteristics (Barr, 2008). Clearly in most countries, higher education is mostly through centralized systems as the case is for Zambia, this ideology is though not favored by the economics of information considerations. The students who are consumers generally are well knowledgeable and better talented planners to make choices based on the market (Barr, 2009). Barr posits: Barr argues that competitive environments generate ideal motivation for universities to be more or at least respond to demands of student and employers. Though, this needs an effective system for quality control to avoid recklessness. The next set of lessons concerns cost sharing is that of graduates contributing to the cost of their degree (Johnstone, 2008; Barr, 2008). Many Scholars have argued that higher education creates remuneration beyond those to the individual – these benefits may be in terms of augmentation, the transmission of ideal values, and the development of knowledge for its own sake. All these justify continuing taxpayer subsidies (Barr, 2008; Johnstone, 2008). However, what is also clear is former students also receive noteworthy private benefits, in terms of, higher income, more satisfying jobs and/or greater enjoyment of spare time, making it efficient and equitable that they bear some of the costs (Barr, 2008). However, it is important that graduates should bear those costs when they can manage to pay for them – as graduates – not when they are students (Barr, 2008; Johnstone, 2008). One clear way students can afford this cost is by looking at the option of scheming student loan system that have core characteristic (Barr, 2008). In Zambia’s case, graduates trained at great cost (grants) are not in any way compelled to pay back to government or institutions. This kind of support is increasingly becoming unsustainable as tax funding has become limited especially with the ‘ massification’ in higher education and also competing needs (MOE, 2010). Barr (2008) advocates for student loans that have income-contingent repayments (ICR), that is, repayments calculated as x per cent of the borrower’s later earnings, collected alongside income tax. Income-contingent loans appear appropriate for students. Further outlines next features of well-designed loans, is that the loan should be large and sufficient to cover fees, and ideally also living costs, resolving student poverty and promoting access by making higher education free at the point of utilization. Thirdly, loans should attract an interest rate largely identical to the government's cost of borrowing (Barr, 2008). In Zambia, the loan policy was put was made policy in 1996 but has never seen any light of implementation. This policy is also devoid of details on how best it should be implemented and operational. Barr argues and makes a case on why tax funding should be discouraged. Other proponents have widely argued that a system of fees and loans harms access, and hence that higher education should be financed from taxation. The previous argument is mistaken for neo-liberal economists. Specifically, they contend tax finance does not achieve the objectives of access and quality guarantee. Taxpayer finance puts quality at risk. Further argue that it was possible to rely on taxation to finance a high-quality system when the system was small (Barr, 2008). More clearly, he opines: There is proof worldwide that actual funding per student declined piercingly over the years in many countries as student numbers enlarged (Slaughter & Rhoades, 2004). Further argued that, even if taxpayer finance on an adequate scale were desirable, it is infeasible (Barr, 2008). Nor does taxpayer finance broaden participation. Clearly, some latest studies which show otherwise on this score. The neo- liberal perceive taxpayer finance as regressive. They believe university students are disproportionately from middle-class backgrounds. If higher education is paid largely or entirely from taxation, the levy of poorer people pay for the degrees of people whose parents tend to be better off, and who themselves will go on to be amongst the better off (Saunders, 2009). Neo-liberal education economist are of the view that public funding is supplemented by private funding, but in such a way that higher education is free to the student – it is the graduate who makes repayments, but only in a way that is consistent with his or her future outlook earnings so that it does not become an insurmountable burden for the graduate (Levin, 2006). In countries like Zambia where the middle class is difficult to segregate, and where most students claim to come from vulnerable backgrounds, then the preceding argument becomes very difficult to comprehend with. The reality though is that people who access either tertiary or more specifically university education in Zambia come from relatively better-off background. What is clear is the fact that the world has changed from 50 years ago when higher education was not significant in economic terms. Today it matters in promoting core values and pursue knowledge for its own sake as always but now it promotes economic magnification through technological advancement (Barr, 2008). In other ways, higher education is vital both for nationwide economic performance and for individual life odds. Successful and effective competition internationally requires mass high-quality higher education (Barr, 2008)Clearly, the ending of the twentieth century witnessed a growth of challenges for the financing of higher education worldwide. This dilemma is partly attributed to the growing demand for higher education as a result of the high rate of expansion of secondary education worldwide and also the apparent benefits of higher education (Cheboi, 2008). The reduction in government expenditure on university education, and a unremitting increase per student costs especially in developing countries, has brought policy makers, governments, institutions and even economists to develop achievable alternative mechanisms of and move toward financing universities (Atuahene, 2006). Two different and ideological perspectives have emerged each portion different ideological perspectives (Atuahene, 2006). The initial based on the Marxist orientation (famous in Zambia in the 80s and early 90s), advocates for free higher education based on principles high societal return, tuition limits access among others, Johnstone (2003). The second being marketplace ideologies which argues that the private rate of returns to higher education to the individual is exceedingly high, and that the beneficiary should contribute toward education and paying instruction fees to ensure the efficiency and accountability of institutions to students and parents among many more other arguments. One of the earliest proponents of market ideologies, Levidow (2005) argues that the ongoing developments in higher education and the pressure on universities to create additional sources of income have plunged higher education into a terrain for Marketizing agendas. His argument, founded on the neo-liberal ideology, forces universities to adopt marketing strategies to generate income to complement the diminishing state financial resources earmarked for higher education. The Neo-liberal framework had become the restructuring schedule of the International Monetary Fund (IMF) and the World Bank (WB) in the early 1990s, which was prescribed to Zambia in the form of Structural Adjustment Programs (SAPs). The basic supposition behind structural adjustment was that an increased function for the market would bring payback to both poor and rich since systems would be well-organized, efficient and accountable since the market plays a vital role (Gillies, 2010; World Bank, 1994). With prescriptions of this ideology, higher education was compelled to go through massive and huge reform through a decrease in public sector spending, a cutting off apparent unproductive section or departments, and retrenchment of personnel and above all privatization of some public services which were seen as for ordinary good. The consequence of this was a decrease in higher education investment as universities were asked "… to decrease funding of higher education, in the name of both democratic and efficiency criteria" (Levidow, 2001, p. 8). In countries like Zambia, the World Bank advocated for more funds to be devoted to Primary and Secondary (basic education) sectors as they were perceived to bring extra benefits of human capital to Sub-Saharan Africa. Interestingly, Levidow (2003) contended that the neo-liberal ideology pressed on Africa by IMF and World Bank was intended to " recolonize" African Countries. Actually, the introduction of tuition and fees together with the overall economic ramifications of Structure Adjustment Program (SAP) conditionality's made higher education most available to the bourgeois (upper class) than the proletariat (poor). In supporting the above assertion Colgan (2002), argued that, African countries require necessary and particular investments in health, education and infrastructure before they can battle or compete internationally or in the global context. The World Bank and IMF were making Africa more exposed by making countries to reduce state support and protection for social and economic sectors. Pushing weak African countries into economic market was not viable as they were unable to compete with the might of the international private sector. Clearly, these World Bank and IMF policies further undermined the economic development of African countries. Although neo-liberal ideology has controversies, some scholars like Johnstone feel that market orientation covers the beginning of tuition and fees, private sector involvement in the provision of higher education, devolution of the control of higher education from the central government to regional centers, and increases the independence to institutions. The introduction of tuition fees in Zambia's education system was first conceived in the late 1980s (Carmody, 2004) but finally became fully operational in the 1990s. Johnstone (1998) feels a greater reliance on market signals brings a shift in decision creation power not just from government but also from higher educational institutions. For sure, as this debate continues, other theorists in the social sciences have also developed counter-arguments using fairness concern to buttress and hold up the introduction of tuition and fees in higher education. Whereas some argue that the introduction of tuition will ignite off social inequality, others seriously contend that their introduction would rather generate much needed revenue that will reimburse for those who cannot pay (Johnstone, 1998; Johnston, 2003). In contrast to this reasoning, is the idea that lowering tuition, might imply, lead to a boost in enrollment. As John Ralston Saul in his 2000 convocation address at the Simon Fraser University, whenever he argued where tuition goes downward, enrollment go up. Banya and Elu (2001) support this by, depicting the World Bank's position on cost sharing and equity, " Equity necessitates the imposition of user fees" (p. 18). They further indicated that the main argument of equity consideration is that higher education leads to substantially higher earnings, and therefore ought to be financed by those who gain. Moreover, Zumeta (2001) sees higher education as both contributing national economy and the social advancement of individual, and therefore it is expedient and more reasonable for policy makers to come up with strategies that ensure equitable access. Chevaillier and Eicher (2002) argue that there is no doubt about the benefit of higher education has more returns to the individual.

They note: Johnstone (1998) contend that higher education cannot endlessly be treated or handled as a freely provided entity. He use some interesting economic terms and says, higher education "…exhibits conditions of rivalness (limited in supply), excludability (often available for a price), and, rejection (not demanded by all) of which do not meet the characteristics of a purely public good, but reflect at least some important conditions of a private good" (p. 3). Atuahene (2006) postulates that point of view like these remain the core in the literature on cost sharing in university education, it is important to note that different countries have developed different forms and strategies to deal with the rising cost of higher education by introducing different cost sharing mechanisms. Putting all these jointly, if cost sharing policies are not well crafted, they can limit admission. The paradox that remains to be answered is that in countries like Zambia with reduced resources and multifaceted problems where universities are experiencing the worst form of crisis in terms of finance, what really can be done to salvage the situation? Penrose (1998) concludes that among other factors and consequences of the policy initiatives, cost sharing in Africa has contributed to a waning rate of enrollment, and quality of education services. This is because many of the arguments put forth by proponents of cost sharing have proven to be basic and simplistic. Therefore, any new policy should consider how costs could be managed effectively and efficiently. Let us now consider the human capital theory and its implication to university education or simply higher education. Woodhall (1997) opines " the concept of human capital refers to the fact that human beings invest in themselves, by means of education, training or other activities which raises their future income by increasing their life time earnings" (p. 24). We have to be alive to the fact that economist use the term ‘ investments’ to refer to the expenditure on assets which will produce income in the future, and contrast investment expenditure with consumption, which produces immediate satisfaction or benefits but does not create future income (Mankiw, 2010). Assets which will generate income in the future are called capital. For a long time economists market analyst limited their definition of investment and capital to physical capital such as machines, equipment or building which would produce income in the future by creating productive capacity (Woodhall, 1997). However, Adam smith a classical economist was the first to argue that education helped to increase the productive ability of workers in the same way as purchase of a new machine, or other forms of physical capital (Ibid, 1997). Henceforth, a comparison was drawn between investment in physical capital and investment in human capital. The increasing demand for university education or higher education combined with the necessary financial severity of both public and private institutions and national governments has led to different policy initiatives that engage the reallocation of capital for different and competing social services, including, education, health services, infrastructure and different government ministries such as agriculture, tourism just to mention just but a few (Altbach, 2000; 2001, 2004). Among the many additional policy alternatives that have been put in place is the overture of cost recovery or cost sharing, deferred payment of loans, and pressure on universities to diversify resources to generate alternative sources of income just again to mention a few options (Johnstone, 2009). On top of this the controversy about the importance of higher education to the individual and the society as a whole and ongoing political argument about the most desirable system for financing higher education in order to reduce government subsidies. Also the need to increase household tasks and parental involvement in the financing of university education is being debated. A considerable number of researches have shown that higher education or more specific university education can have a significant impact on the earnings an individual can command in the marketplace, it lifts the value of the person. One such study is that conducted by Michael Paulsen, on Higher Education and State Workforce Productivity. Paulsen identify the impact of investment in higher education in 48 states. He found a positive relationship between higher education and economic growth. Found that higher education investment positively impacted on economic growth. The Paulsen study concluded that: Paulsen additionally looked into the cumulative impact of investment in university education. He concluded that all else being the same, each 1 percentage point (. 01) increase in a state's cumulative investment in higher education in 1980. The ratio of university graduates to high school graduates age 25 and over was linked with an increase in the subsequent rate of growth in workforce productivity from 1980 to 1989 – of . 0164 percent. Further study by Payea (2004) examined the Benefits of Higher Education for Individuals and Society, and used accessible government statistics to study the benefits of higher education to diverse groups of people in the United States. In a similar article appearing in NEA higher education research, the author used 1975 U. S. census data to investigate the benefits of higher education also showed positive correlation. He indicated that fulltime workers who have bachelor’s degree earned 1. 5 times the salary of a person with high school degree. The author further observed that between 1975 and 1999 the value of having some college increased by less than 10% while the worth of having a Bachelor’s degree increased by about 20%. And further, in the same period the value of an higher degree increased by over 40 %. Though it is difficult to support it with quantifiable data, in Zambia having a higher education certification especially degree makes you marketable with a relatively well paying job. In fact, Zambia’s education system especially tertiary education was premised on developing the much needed human resource (Lungwangwa, 2001). Furthermore, in an article by Jamie Meritosis, he outlined on the whole benefits of higher education in the United States. Meritosis (1998) typology grouped the benefits of higher learning into four categories: communal economic benefits, public societal benefits, private social benefits, and personal economic benefits just like other scholars have postulated. In this study it was clearly indicated that Public economic benefits include augment in tax revenues, increase in labor force productivity, and reduce in the reliance on government for social support; private economic benefits include, higher salaries, better employment opportunities, and higher specialized mobility; public social benefits include reduction in crime rate, increase in community service and generous giving, enhancement of technological ‘ know how’ (Ibid, 1998). Also the increase in quality civic errands; and private social benefits also include, ability to make improved consumer decisions, better healthiness practices and increase in life expectancy, and improve in the quality of life for children among others. In the conclusion, clearly Meritosis (1998) believes that investment and ventures in higher education has both a broad range of benefits and returns, which are public and private, economic and social as previously mentioned. Psacharopoulos (1993) in his a study in more than twenty different countries established that the rate of returns to education is higher in nearly all developing countries for primary and secondary education. He projected that private rate of proceeds to education is higher for those with higher education than persons with lower levels of education. He quantified and anticipated, social rate of returns to education in the U. S. in as early as 1939 was approximately18. 2% for secondary school and further 10. 7% for higher education. Five decades later, by 1987, this had changed with a downward trend of 10% for secondary and an upward trend of 12% for higher education. Later, Psacharoupoulos and Patrinos (2004) gave a good quality summary of the outcome of studies done in 98 countries over the period 1960-1999 that had been conducted on a comparable basis calculating the rates of return of investment in education in different sectors such as primary, secondary and tertiary. The conclusion of the study shows that social return of formal education on average was 18. 9% for primary, then 13. 1% for secondary and 10. 8% for tertiary education. Now the big argument and idea is that lowering the cost of access to attend higher education is an opportunity for individuals who would not have been able to purchase higher education to enjoy the demonstrated improvement in their earnings and careers. The consequence of the opposite state of affairs is the depriving of the populace of the full utilization of personal talents. In that case, government involvement in the financing of higher education through the provision of subsidies becomes supreme and imperative for citizenry. It is worth noting that some of the study that has conquered the academic and policy circles on human capital theory is subjugated by what is called " new growth theory" as advocated by (Cortright, 2001). Here we see enormous contributions of knowledge and originality toward an individual's standard of livelihood over time not on the market segmentation. This growth theory is based on the supposition that knowledge and innovation are positively connected with economic incentives and can be improved by research and development, which ultimately generates new ideas. In that case, knowledge is transportable to the individual, who becomes economically industrious to society at large; such is also a common argument in Zambia and most developing countries (Cortright, 2001). Central to this however, the benefit of such knowledge transfer is not only for the individual but also has a boomerang or have spillover effect on the general public as well. But the magnitude and different dimensions of this spillover remains controversial in the writing. For instance, Davies (2002) critically and at length reviewed this subject and then contended that there are indications of vibrant externalities in education, although its magnitude cannot be guaranteed. He made an attestation to the truth that growth enhances social returns more than private returns. Further, in a cross-sectional study investigating human capital spillovers Rauch (1993), established out that that there is a well-built correlation between higher levels of education in the majority of cities with higher levels of earnings of workers after adjusting for the individual's own education and higher accommodation prices. Rauch exclusively posits that Spillover result can positively influence own knowledge, and these effects are largely autonomous of the effect from own education despite the fact that education is less rewarded in workplaces that already enjoy high levels of educated personnel. This means that for there to be an increase in labor productivity and high levels of earnings, co-workers in a business should be to some extent compatible in terms of skills (Atuahane, 2006). Rauch’s study has been given a auxiliary expansion by Kremer’s (1993) in what he called an " o-ring theory", In it he hypothesized that the productivity of elevated skilled labor increases when the individual is mixed in the midst of people possessing a similar skill level and some times of equal ability. The hypothesis predicts factor payment as a determinant on the compatibility of factors in the place of work. It is understood and believed that people of a similar level of skills can competently and easily exchange and share knowledge at the workplace and then increase output or production (Kremer, 1993). In this sense, the extremely skilled labor force that comes with pursuing a higher level of education becomes beneficial at the workplace based on strong co-worker human capital foundations. Closely interrelated to the human capital is the social rate of returns of education. This construction is based on the assumption that pursuing university or some form of higher education has a positive impact on the reduction of some social hazard such as smoking, crime, and many more other vices for the community and society at large. The Baum and Payea (2004) study confirms that the advanced level of education in the society has corresponding likelihood of the reduction of crime in society and smoking among university students. Acemoglu and Angrist (2001) used obligatory school laws to study the impact of educational level on certain social lifestyle. They found that their analysis showed that the level of imprisonment among high school graduates was lower at a probability rate of 0. 8 percentage points for white males and 3. 4 percentage points for black males. A similar study by Lochner and Moretti (2004) also updated the impact of higher level of education on crime. Using government statistics on confinement, arrests and self-reported criminal activities, they easily found that the likelihood of incarceration in the U. S. is negatively correlated with the level of education. Whereas relationship is not causality per se, it is equally vital to point out that in the case of the U. S., where most black males are deprived of access to College and University partly because they cannot afford to pay, it will not be exaggeration to state that the high percentage rate of black incarceration, holding other unnoticed factors constant, is due to their lower level of education (Lochner and Moretti, 2004). The lesson worth recollecting from the above illustration is that the importance and value of higher education to both the society and the individual cannot be underestimated or down played (Kelly, 1996). It is worth to note that the value of higher education to the individual has a wide range from the extreme end of unemployment to the other end of improvement of economic advantage. These benefits might comprise, inter alia, higher wages, greater job satisfaction, extended life and improved health, and the reduction in crime participation as noted by (Mumper, 1996). Higher education increases people’s attainment of wealth; improves individuals’ socio-economic development; enhances national economic development; and improves social deeds and community development (Ibid, 1996). The benefits to the public are evidenced from the production of highly skilled labor to its contribution to economic growth.

2. 1. 3 Education as a Quasi Public Good

A public good, as defined by economic theory, is a good that, once produced, can be consumed by an additional consumer at no added cost (Holcombe, 1997). By implication, it means consumers cannot be excluded from consuming the public good once it is formed or produced. Contrary to common misconceptions, public goods are not " goods provided by the public" (Mosteanu and Cretan, 2011). Public goods are sometimes supplied by the private sector. Public commodities are characterized by nonrivalry (not scarce), non excludable (cannot stop anyone from enjoying) and have externalities (impose cost or benefits to others) (Mosteanu and Cretan, 2011). This theory has always received some criticism (Kaul, 1999). First, many public goods are successfully produced in the private sector, so government production is not necessary. Second, many of the goods government actually does produce do not correspond to the economist's definition of public goods, so the theory does a poor job of explaining the government's actual role in the economy (Holcombe, 1997)Dikmen amplifies, from the neoclassical economics viewpoint, education is considered as an investment in human capital (Dikmen, 2012). The public goods theory is seen as trying to determine public or private characteristics of goods through benefits of which accrue to a person or society coincides with this perspective (Dikmen, 2012). In traditional public goods analysis, which relies on two criteria (non-rivalness and non-excludability), there seems to be little or sufficient tools for explaining public or private aspects of education (Dikmen, 2012; Kaul, 1999). In fact, the method of specifying publicness characteristics of goods with the criteria of non-rivalness and non-excludability does not work for any good. Many scholars argue that what prevents education to be a pure private good according to public goods assumption is the positive externalities or in other words social benefits of education (Kaul, 1999; Dikmen, 2012). Other consideration benefits also include non-economical but also most of the economical externalities of education are not taken into account since they are immeasurable (Holcombe, 1997). Dikens opines, this brings about bestowing value on an education only to the extent that it increases productivity or provides additional income. In reality, what is called externalities might be more important than direct benefits of education (Dikens, 2012). One can therefore see clearly that, human capital or public goods approach seems to confuse means with ends. Education can therefore be looked at as Quasi-public goods (Blacksacademy, 2003). We have seen that a public good is one for which it is not practical to exclude consumers, if we consider education as a commodity, therefore no one should be discriminated at the expense of background or inability to pay. Is this possible for education? A pure public good is one where it is impossible to exclude some consumers – if the good is provided for one person, it is provided for all. Law and order would be an example. However, if the consumption of a good can be excludable, though impractical, then the market could in theory provide a price mechanism for it. Apart from Street lighting, or perhaps, light houses, would be an example. Ships approaching within a certain radius of a lighthouse could send out an identifying radar signal (Blacksacademy, 2003). The ship owners could be charged for getting close to the lighthouse. Ships who do not wish to be charged could avoid the lighthouse. For this reason it is not impossible to charge for the provision of lighthouses, though still impractical. Such goods are therefore not pure public goods, and are consequently called quasi-public goods. Most economists and educationists consider education as mixed good (quasi-public good). Private goods are goods that are rivalrous and excludable. An interesting half-way house between a private and a public good is a " mixed good". A mixed good is like a private good in that it is rivalrous and excludable, but it provides significant non-rivalrous, non-excludable external benefits for which preferences are not revealed by the market mechanism. Examples of these could include among others: health-care; education; public transport; refuse collection and fire-service to mention but a few. For easy understanding, if we illustrate the case of education. When a person is educated he/she receives a benefit from this, which is expressed in terms of higher earnings and improved job prospects. However, the community as a whole also benefits from the individual’s education, in that his/her productivity is enhanced, which is good for everyone (Blacksacademy, 2003). At independence all levels of education including higher education in Zambia were considered as public good. Like other countries in Sub-Saharan Africa, Zambia did not have any formal system of higher education during the colonial period. The advent of political independence in 1964 led to a rapid development of a system of higher education that included the university, institutes of technology, secondary and primary teachers' colleges, trades training institutes, agricultural and natural resources training colleges to mention but a few. Some of these institutions were not in the higher education category in the true sense of the term because they admitted candidates who never completed full secondary education. The goal behind quantitative expansion of higher education was to meet the immediate needs of trained manpower (Lungwangwa, 1991). The production of trained manpower was restricted under the colonial set-up. Therefore all those who were enrolled for higher education, just made themselves available and government provided free education. Education was like a good that, once produced, can be consumed by an additional consumer at no additional cost. This meant no consumers were excluded from consuming the public good. This argument kept on being refined in later years where some kind of fees were a requirement and in the early 90s the introduction of cost sharing on the basis of positive externalities and affordability on behalf of government. Currently one can argue that the theory of quasi public good is still very applicable to Zambia as many stakeholders still consider education as a public good in which tax funding should exclusively be used at all levels. Currently basic education is free in Zambia (up to the 9th grade).

2. 2 Literature Review

2. 2. 1 On Cost Sharing

Cost sharing is a widespread phenomenon now in different social disciplines or sectors of the globe (Johnestone, 1992). Sectors which in the past were entirely supported by government are now putting emphasis on shared cost. This is also the case with university education. Cost sharing in university education refers to a shift in the load of university education costs from being borne completely or predominately by government, or taxpayers, to being shared with parents and students (Johnstone, 1986; 1992; 1993; 2002; 2003), Cost-sharing is most linked with tuition fees and " user charges," especially for governmentally- or institutionally-provided room and board (Johnstone, 2008; 2009). Charging tuition and fees policies are more extensively practiced than one would envisage based solely on the reading of national constitutions that espouse free education (Shattock, 2001). The financial difficulties on universities in emerging countries has led to the de-facto use of aspects of this mixed model, particularly concerning charging fees and tuition, yet though there may be constitutional prohibitions and hindrances (Ibid, 2001). Scott (2002) makes an observation by saying the dual track system developed out of necessity because for the most part governments could not keep pace with the exponentially rising costs of providing higher education, and leaders could not undertake the political expense of attempting lawful changes to the policies of financing. " In this compromised approach institutions can offer additional spaces to fee-paying students (retain a certain percentage of this revenue locally) after they have admitted a programmed number, by the central authorities, of full scholarship students who qualify based on the national entrance exam or a merit system" (McNernery, 2009 p. 49). The implication of this has been that public universities have become semi-privatized by more and more depending on fee income as the case is for Zambia now. In some countries the dual-track approach has become very popular to an extent where the percentage of fee-paying students currently exceeds merit-based scholarship students like in the former soviet bloc (Shattock, 2001). For Zambia, the opposite is still the case (80% of student in public institution still receive free government support or scholarship). Most leading scholars in university finance advance several categories of point of view that are used to justify and rationalize cost-sharing. Most often proponents of tuition and fees typically use three approaches to rationalize this transfer, among others include; comparative analysis studies of similar countries, perceptions of equity in a particular culture, and rates of return analysis based on the Human Capital Theory (Shen and Zinderman, 2007; Barr, 2005). All the three have already been discussed under the theoretical considerations in sections 2. 1 and 2. 2. In developing countries like Zambia, there are many factors that have been used to limit the heavy involvement of students and parents in financing higher education. Johnstone (2002) notes that in developing countries the debate about cost-sharing provision is politicized and therefore based on special pleadings and unclear information, typically subjective. Secondly, there is nonexistence of financing support either in the form of grants or student loans. Consequently students have to find the cash up front payment before they can matriculate and last; if means testing is required then there are technical difficulties in verifying parental capability to contribute (Ibid, 2002). Johnstone (2004) examined the underlying principle for cost-sharing as well as the continuing ideological, political, and procedural opposition to it, even in the face of extreme austerity and the practical inevitability of higher educational revenue diversification in most countries. Altbatch (1991; 2001; 2005) discussed the cost of higher education and presents three broad categories of higher educational costs: the cost of teaching; the cost of student living; and the opportunity costs, or student-foregone earnings. He presented the three underlying issues of higher education finance: "(1) how much of societies total resources ought to be devoted to higher, or post-secondary education; (2) what ought to be the unit cost of higher education, or the overall efficiency or productivity of enterprise; (3) and how these costs ought to be apportioned among taxpayers or the general consumer, parents, students, or philanthropists". Johnstone (1986) presented arguments on sharing costs of Higher Education and sharing financial assistance in UK, Germany, France, Sweden and United States. He pointed the differences that do exist between these countries towards cost sharing. The US put some emphasis on private provision and where as countries like France and Germany is still heavily subsidizing and supporting higher education. Dobson (2001) reviewed higher education financing over the years in Australia and the policy adjustments that were behind the variations in government contributions. He saw proportional shrinking from state funding and said while 25 years ago the government provided higher education institutions especially universities with 90 percent of their revenues, by 1998 government share accounted for less than 52 percent. He makes the case that this decline was comparable by an increase in the percentage of income provided by the students and funding from other sources such as research grants and contracts, donations among others which were expected to continue in the foreseeable future. Balan (1993) highlighted a similar case for Argentina in his historic account of higher education policy shifts beginning 1987. Section three of his study in particular focused on finance reform and funding patterns of the late 1980s and early 1990s within the social and political context of these transition years. He observed a trend in which government was gradually divorcing from higher education finance. Chudgar (2004) explored the role of various family characteristics (parental education, family's economic status, household size, membership in a social group, student's gender) in financing higher education in India. The study gathered that these characteristics account for 27 percent difference in higher education expenditure and that they are more important in illumination variation in educational expenditure at lesser levels of education. These above findings are so important for the government's higher education finance policymaking practice. All these studies above provide a clear theoretical argument for the introduction of cost sharing measures in higher education. What is now clear is that government subsidies for education have declined; therefore, alternative mechanisms must be explored to support institutions (Johnstone, 2009). At the same time, students are now required to contribute toward their education through the introduction of tuition and other user fees (Barr, 2006). This is quite different in most developing nations, particularly in Africa, where the financing of higher education has been the overriding responsibility of the central government (Higher education in the World, 2006). In Zambia, like many other developing countries, the management and control of public universities and other tertiary institutions remains the province of the state (Carmody, 2004). The financing of higher education has been the responsibility of the government since colonial times or early years of independence (Ajayi et al, 1996). Attempts to introduce cost sharing in most of Sub-Saharan Africa, whereby students are required to pay part of the cost of their education has led to strikes, demonstrations, and subsequent disruptions of the academic calendar due to university closures. Sometimes students led by student leadership, have made claims using Marxian ideology, where the state finances all social and public services, and also have politicized cost recovery policy initiatives of the government (Atuahene 2006). The current world trend is that most countries (developed and developing) are moving towards policies based on cost-sharing in higher education systems while being attentive of the important question of general access (Woodhall, 2007). Some have argued that as higher education institutions (Public & Private) become more reliant on tuition fees than on government funds, deprived students might be crowded out on financial grounds, exacerbating fairness issues. Implementing cost-sharing necessitates strategic thinking on providing for students from poor backgrounds (Woodhall, 2007). However, in almost all countries public financing schemes exist to facilitate students from poor communities to afford higher education (De Villiers & Nieuwoudt, 2010). This support ranges from bursaries or scholarships to loans with different refund/repayment or interest rate criteria. Zambia has in place a bursaries scheme (Although, its operation and sustainability keeps on being questioned). In all these systems, a definite trend is noticeable towards inventive allocation mechanisms that allow both public and private funds to go further in meeting the challenges that higher education systems face around the world (De Villiers & Nieuwoudt, 2010). Salmi and Hauptman (2006) indicate that the common funding potential and practices in global higher education systems can generally be divided into two large categories: direct and indirect funding, which means there are those mechanisms that mainly rely on direct public funding of institutions and those where an emergent share of public funds are earmarked for the support of students or so-called indirect funding of institutions (Salmi and Hauptman, 2006). In their detailed global comparative analysis, they found out that Governments in most countries provide a large share of public funding directly to institutions to support their financing of training, recurrent operating expense, capital investment and university-based research. The traditional way of allocating funds for instruction, operations and investment typically followed variations of three mechanisms: negotiated or ad hoc budgets where consultation between government and the institution determined the level of funding and the funds distributed to the institution either as line-item budgets (with some rigid restrictions on what the money can be spent on) or a single block grant (giving the institution involved more spending autonomy); categorical or earmarked funding where the funds are naturally provided for a specific purpose or allocated to a group of institutions perceived to have beforehand been under-funded (Salmi and Hauptman, 2006). Public universities in Zambia are given allocations from government as a single block though there are serious challenges that have arisen over time with this approach (Masaiti, 2012). Funding formula are normally used to assign funds for the recurring expenses of institutions and include a variety of factors (like inputs such as staff or students numbers, costs per student, priority funding and performance-based formula components among others) in order to determine the specific formula. Usually performance-based funding types are renowned – performance set asides, performance contracts, competitive funds and payment for results (Salmi & Hauptman, 2006). Funds to support university-based research are traditionally allocated by funding instruction and research together or through research project funding and usually this is strongly dependent on faculty proposed projects for research (De Villiers & Nieuwoudt, 2010). This is also increasingly becoming familiar. Cost sharing is becoming popular in most countries. Zambia policy document has been emphasizing cost sharing between government, institutions and students (MOE, 1996). Countries give public funds not only directly to institutions but a growing share of these funds indirectly to students and their families (De Villiers & Nieuwoudt, 2010). These funds are allocated in the form of grants and scholarships, tax benefits and a numerous forms of student loans. Another way of financing higher education is by using " demand side" vouchers are one way of allocating the funds to the user. In well organized system, financial need is through a means tested criteria to establish student's eligibility (De Villiers & Nieuwoudt, 2010). The allocation mechanisms or financing policies may fall under the following categories or simply called Global Funding Typologies in Table 2. 1: Clearly what Zambia desperately needs is an inclusive approach that combines diverse tools that can provide instantaneous as well as mid and lasting solutions to ensure financial sustainability (Khosa, 2003). A good financial policy conserves the quality of public higher education systems (Beyani, 2009). For Zambia to have effective and sustainable universities, a number of measures should be taken into account. This might require putting procedures that might include introducing real cost sharing and more cost-efficient modes of delivery, managing student flows, streamlining social expenditure, improving governance and administration practices, and providing incentives for private sector development (World Bank, 2002; 2010). The solutions for the sustainable financing of higher education systems therefore exist " provided a tactical medium-term approach for reform of the subsector is developed and backed by continued political will and sufficient and sustainable resources" (World Bank, 2010 p. 6). Eicher, Jean-Claude (1998) earlier had also discussed the costs and financing policy of higher education in Europe. They had observed that over the last four decades, higher education systems in Europe had undergone deep quantitative transformations that had been accompanied by very great structural changes. Having analyzed the situation and based on recent observations then and economic analyses of the financing of higher education in Europe, it was concluded that students' participation in the financing of their studies is still lower than the optimum seems to justify in many European countries. That tuition fees are increasing in different forms and methods, that student aid systems in most countries must be rethought and amended in relation to the evolution of fees. Cost sharing and student loans were more desirable for Europe. Agarwal (2006) presented a case in which he advocated for change in India higher education. In a comprehensive paper on higher education in India that provides an overview of its structure, the regulatory atmosphere in which it works, its financing and other important issues including governance, academics and technology. He argues that while the higher education system (particularly for the private sector) in India had expanded quickly over the last 20 years, it had done so with little regulation and decreasing standards and values in all but a few quality institutions (Agarwal, 2006). Moreover the expansion in enrollments has taken place at a time when public funding has declined (at least in real terms) and public universities have started to charge higher tuition fees. He further argues that these changes have had a negative impact on access for the poor given the absence of substantial student monetary aid programs. In conclusion, the paper consolidated a number of recommendations into a broad framework for action. Within this framework it identified several strategies for making higher education reasonable and accessible to everyone including the introduction of an income contingent loan plan and the establishment of a Social Equity Fund that would govern financial aid programs for underprivileged students. Any comprehensive study and review in higher education finance cannot be complete and comprehensive without considering different works of one of the leading authority in the name of Bruce Johnestone. Johnstone (2009a) observed the spectacular changes which have occurred in financing higher education in the last two centuries. He observes that the cost have augmented astronomically to the point it there is a shortage for revenue of training as well as research. He opined: In another article in 2009b, he discussed financing higher education highlighting the debate surrounding the responsibility of payment in higher education. In different paper edited by Ziderman in 2009c, Johnstone contextualizes the argument on ‘ conventional fixed schedule’ and ‘ income contingent repayment obligation’. I now explore student loan policy which in higher education finance can also be looked at as some form of cost sharing.